HOW TO READ A PAYROLL

The information contained in these explanatory notes, which are available on the Studio Miazzo website (www.studiomiazzo.it), is intended to facilitate the understanding of the payroll and its main regulatory aspects, and is not meant to be exhaustive. It is therefore essential to contact the firm that has been entrusted by the client with the task of managing these obligations and the Libro Unico del Lavoro (Single Labour Book). Studio Miazzo, in carrying out the task assigned to it by the client, ensures that the data are managed in compliance with the relevant contractual regulations and legal provisions, and that the Libro Unico del Lavoro is under the responsibility of the Labour Consultant Lorenzo Miazzo, registered with the Association of Novara under no. 197 since 27/Q/1980.

SECTION ON REQUIREMENTS FULFILLED BY STUDIO MIAZZO

The payroll is a compulsory document by means of which the worker is informed about the salary paid to him, taxes and contributions paid in the relevant month (Indicated by Studio Miazzo at the top right).

The Legislative Decree no. 117/2008 introduced the Single Labour Book, a tool that aims at informing the supervisory bodies as to whether the social security, tax and administrative obligations have been correctly fulfilled, as well as the attendance schedule, which is the number of hours worked and the number of absences recorded by each worker for each day. The Single Labour Book is drawn up by Studio Miazzo according to the applicable collective agreement and the monthly submission by the client company.

THE FIRST TWO SECTIONS OF THE PAYSLIP ARE INCLUDED IN THE TOTAL AMOUNT TO BE PAID TO THE EMPLOYEE

The first two parts of the payslip contain the data and the clerk's remarks, as well as the relevant National Collective Agreement. The two lines that refer to the Company situation contain data on the corporate structure, qualification, level, cost centre, sensitivity increments, days of employment and termination of employment.

THE RETIREMENT DATA (1) LINE SHOWS THE SOCIAL SECURITY CONTRIBUTIONS TO THE PENSION FUND (11)

This line shows the data that refer to pensions and social security contributions.

FIRST PART

The first two sections of the payslip contain the company and worker data, as well as the relevant National Collective Agreement. The two lines that refer to the Company situation contain data on the corporate structure, qualification, level, cost centre, sensitivity increments, days of employment and termination of employment.

RETIREMENT DATA (1) LINE SHOWS THE SOCIAL SECURITY CONTRIBUTIONS TO THE PENSION FUND (11)

This line shows the data that refer to pensions and social security contributions.

FIRST PART

The first two sections of the payslip contain the company and worker data, as well as the relevant National Collective Agreement. The two lines that refer to the Company situation contain data on the corporate structure, qualification, level, cost centre, sensitivity increments, days of employment and termination of employment.

HOLIDAYS AND FORMER PUBLIC HOLIDAYS - REDUCTION OF WORKING HOURS (12)

The columns contain separate amounts, as follows:

- Annual due: the assumed days or hours that the individual worker reaches in accordance with the collective agreement. This figure may not coincide with the provisions of the agreement in the case of hiring or termination during the year or in the event of discontinuation of work.
- Previous year's balance: holidays/reduction in the working hours/working time accounts which the worker has accrued in the previous year for the Company, but which have not been used, yet.
- Accrued in the year: the hours or days actually accrued by the worker up to the payroll processing time.
- Paid in the year: the hours or days actually used by the worker up to the period covered by the payroll. This information is indicated only if the Previous Year Residues is zero; if not, the used amount is deducted from the Residues.
- End-of-month residue: the hours available to the worker up to the period covered by the relevant payroll.
- Annual balance: number of hours that the worker is theoretically entitled to, up to the date on which the amounts accrue, provided that there are no periods of discontinuation that prevent such accruing.

WORKING TIME ACCOUNTS

The hours set aside as a result of additional services are shown in the line of the working time accounts and can be subsequently used as additional rest periods, either as a choice or in accordance with the contractual provisions.

FIXED ELEMENTS OF THE REMUNERATION (13)

Remuneration is the consideration for the work done by the worker during the relevant month.

The monthly salary is an amount established in the National Agreement; it may vary according to category and level, and possibly according to the individual employment contract. Remuneration is established on a “gross” basis, therefore the social security and tax amounts, which the worker is required to pay, must be deducted from the total amount.

This section details the salary items that make up the remuneration indicated in the Total; these items are expressed at 100% of the amount, even if the employee is working part-time.

CENTRAL SECTION OF THE PAYSlip (4)

The central section provides a specific description of the remuneration, hours worked and withheld amounts, thus determining the gross remuneration indicated in the Total amount.

The first part contains an explanation of the type of compensation required by law for each item included in the slip, as specified:

- C: this item is subject to payment of social security contributions,
- T: this item is subject to withholding of income tax,
- N: this item is included in the net amount to be paid to the employee (it is shown as a due or withheld amount).

CONTRIBUTION DATA (5)

The section indicates the gross remuneration subject to contribution, the remuneration used to calculate the monthly premiums for the Employee Severance Pay and the contribution allocated to the guarantee fund, which is deducted from the Employee Severance Pay, to be paid to the worker.

INPS (Italian Social Security Institute) (6)

The section shows the remuneration used to determine the contributions to be paid by the worker, which are shown in the Withholdings column. The remuneration indicated as Taxable also shown in the “Retirement Data” section (1), if it is used by the worker to fund the worker upon achievement of the pension requirements provided for by law.

All payroll items that are subject to the withholding tax are also subject to contribution. The contributions to be paid by the worker, depending on whether the worker has chosen one of the following options, are also shown:

- pension: whether paid for in the national or company agreement.
- healthcare fund, whether provided for in the national or company agreement.

10% SUBSTITUTE TAX (7)

This section indicates the salaries that fall under the special regime provided for by the law, linked to improved business efficiency and productivity (provided for by district or company agreements).

MONTHLY FISCAL DATA/COUNTS (8)

This section specifies the employee’s compensation, consisting of all the amounts generally earned in the tax period in relation to the employment relationship. These values are subject to IRPEF (annual income tax) according to the income tax category and to the extent that they have been received.

In a nutshell, the taxable amount is the gross base salary (excluding family allowances) from which social security and income taxes must be deducted. The value is shown as an Adjustment and corresponds to the total taxable income for IRPEF purposes received from the beginning of the year (or from the date of employment if it occurred during the year) until the December pay check (or the date of termination of employment).

The items relating to applied tax deductions are shown next to the Taxable Income and Gross Taxable Income.

The IRPEF tax is calculated at different tax rates depending on the income bracket.

<table>
<thead>
<tr>
<th>IRPEF rate %</th>
<th>Annual income up to euro</th>
<th>Monthly income up to euro</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>15 000,00</td>
<td>2 150,00</td>
</tr>
<tr>
<td>27</td>
<td>20 000,00</td>
<td>2 850,00</td>
</tr>
<tr>
<td>30</td>
<td>25 000,00</td>
<td>3 660,00</td>
</tr>
<tr>
<td>38</td>
<td>50 000,00</td>
<td>5 000,00</td>
</tr>
<tr>
<td>41</td>
<td>75 000,00</td>
<td>6 250,00</td>
</tr>
<tr>
<td>43</td>
<td>over</td>
<td>over</td>
</tr>
</tbody>
</table>

FAMILY ALLOWANCES (10)

This section specifies the worker’s marital status and any Family Allowances requested by the worker by the end of July every year. The allocation of the Family allowance, provided for under Law No. 158/90, is determined by law and its amount is proportionate to the number of family members and the total family income.

METHODS OF PAYMENT (11)

Data on the bank transfer, as appropriate, and the net pay check, which is the difference between the Total remuneration and the Total withholding tax (rounded off as indicated), are reported.

DETAILS ON THE COMPANY SEVERANCE INDEMNITY FUND (12)

The Employee Severance Indemnity is an element of remuneration that is calculated on a monthly basis; its payment is deferred to a date subsequent to the date of the pay slip.

This section contains the data recorded by the company and the payment of any advances used to settle the severance indemnity accrued upon termination of the employment relationship: a detailed presentation gives evidence of any advances received in previous years as severance indemnity, the amount set aside as of 31/12 of the previous year, any advances received during the fiscal year in addition to the progressive monthly payments used to determine the severance indemnity, and the amount set aside for this purpose up to the relevant month; at the end of the year, the adjustment provided for by the law on the Company fund as of 31/12 of the previous year, shall be added to this figure.

This section allows the worker to be aware of how the severance pay is handled, without waiting for the moment of payment.

DETAILS ON PENSION FUNDS (13)

As of 1/1/2007, workers are required to decide whether to allocate their own severance pay, to be accrued, to supplementary pension schemes or whether the same should be maintained by the employer.

This section shows the date of registration communicated by the worker to the pension fund provided for by the National Agreement (e.g. Conessa, Funchee, Forte, etc.) or to private pension schemes. It also indicates the amount set aside in the fund to which the worker has decided to allocate his or her accrued severance indemnity.

DETAILS ON INPS TREASURY FUND (14)

This section indicates the severance indemnity quotas that the worker has decided to keep in the company but that the regulations provide to set aside to INPS, when the companies exceed the size limits required by law.

PERSONAL COMMUNICATIONS (15)

This section is used by the Firm for short messages to be given to the workers.

EXPIRY DATE OF FIXED-TERM AGREEMENTS (16)

This section indicates the expiry date for fixed-term agreements.

In summary, the Firm applies monthly tax rates to the taxable income in increments of one month, thus determining the gross tax. Deductions due in relation to the employer's income and family situation will then be applied to the gross amount determined in such a way, and the net tax which must be withheld from the worker will then be obtained.

This withholding is to be considered as an advance payment, since a tax adjustment will have to be made on the basis of the annual IRPEF brackets during the December month for any termination of employment. In addition, the employee may have other incomes for which he or she must submit his or her own tax return for the calculation of the final IRPEF (using the 730 or Unico form).

Studio Miazzo is authorized to draw up and submit the 730 form on behalf of employees who wish to use this service.

TAXATION OF SEVERANCE INDENMITY (9)

This section describes the provisions for employee severance indemnities paid upon termination of the employment relationship or as an advance payment. Taxation falls under a specific tax regime that provides for the determination of a fixed tax rate to be determined as the basis of the length of service and the amount of Employee Severance Indemnity paid.
The worker should carefully check the accuracy of the data concerning the following points:

The indicated address - Municipality and Province - must match the worker’s residence, since these data are used by Studio Miazzo to calculate the municipal and regional withholding tax. Any changes in residence must be promptly communicated by the worker, specifying the effective date.

Since 1998, a regional supplement to the personal income tax has been in place. The surtax follows the rules of the ordinary IRPEF and is intended to finance the entire regional health expenditure. This tax is calculated on the basis of the annual remuneration together with the December pay and deducted from the salary, with a maximum of eleven instalments, starting from the following tax period, or deducted in a single payment when the employment relationship is terminated during the year.

The municipal surtax was introduced in the same year and is additional to the IRPEF rate. Each municipality decides on the rate to be applied to the employees resident in its territory. The City Council may also decide on exemptions, setting a minimum income below which the surtax is not due. Any discrepancies between what is due and what has been withheld may be settled by submitting the 730 form. The tax is due to the municipality in which the employee is resident for tax purposes as of 1 January of the year to which the surcharge refers.

The amount of the gross tax, calculated by applying the tax rates, is deducted specifically for spouses, children and other dependent family members, provided that the persons to whom they refer do not have a total income of more than 348.51 Euro, gross of deductible expenses. For the acknowledgement of all tax deductions, by law, an express declaration by the employee that he or she is entitled to them and a commitment to promptly notify any changes are required.

Studio Miazzo provides the form for requesting tax deductions at the time of employment; it must be filled in, signed and returned by the employee. The worker shall make sure that the data indicated on the payslip match the requirements of the form for requesting deductions, or communicate any changes in the event of a change in the family or its conditions.

The allocation of the Family Allowance is subject to the relevant request submitted by the worker and is determined in accordance with the number of family members and the total family income. For the allowance to be paid, such income must be lower than the thresholds specified in the INPS tables published annually in July. In addition, in the household, the total income from employment and other sources must be at least 70% of the entire income of the household. The allowance is payable to one member of the same household. The employee is required to inform his or her employer, within 30 days from the event, of any change in the composition of the household, and to submit a new request for family allowances, indicating the incomes of the previous year, each year in July. Studio Miazzo will provide workers who receive such allowances with pre-filled forms with their personal data, which must be filled in and signed. The worker shall make sure that the item "Declared income", "Household unit" and "Minor children" have been correctly indicated in the pay slip or communicate any changes.

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